

ORIGINAL

***Application of
Sigfield Water Company, Inc.
For Approval of an Increase in
Its Rates and Charges For
Water Service***

PAID
2/25/99
pvc

Docket No. 97-131-W

March 11, 1999

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
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UTILITIES DEPARTMENT

***Testimony of
Steve W. Gunter
Accounting Department***

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

1 Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
2 OCCUPATION?

3 A. My name is Steve W. Gunter. My business address is Koger Executive Center,
4 Saluda Building, 101 Executive Center Drive Columbia, South Carolina. I am
5 employed by the Public Service Commission of South Carolina, Accounting
6 Department, as an accountant/fiscal analyst III.

7 Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND
8 AND YOUR EXPERIENCE?

9 A. I received a B.A. Degree in Interdisciplinary Studies with a major in Accounting
10 from the University of South Carolina in 1980. I am a Certified Public Accountant,
11 certified in the State of South Carolina. I have over sixteen years experience in the
12 auditing profession. Fifteen of those years have involved the ratemaking process.

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

14 A. The purpose of my testimony in this hearing is to summarize the Staff's findings
15 and its recommendations that resulted from our examination of the Company's
16 filing in this present rate case. The Staff's findings and its recommendations are set
17 forth in detail in the Accounting Department Report to this Commission.

18 Q. I SHOW YOU THIS REPORT WITH ITS ATTACHED EXHIBITS, ENTITLED
19 "REPORT OF THE ACCOUNTING DEPARTMENT, PUBLIC SERVICE
20 COMMISSION OF SOUTH CAROLINA, SIGFIELD WATER COMPANY,
21 INC.." WAS THIS DOCUMENT PREPARED BY THE ACCOUNTING
22 DEPARTMENT'S STAFF?

1 A. With the exception of that portion which is tabbed Utilities Department, the report
2 was prepared by me and the Accounting Department Staff.

3 Q. (MARK FOR IDENTIFICATION). WOULD YOU SUMMARIZE THE
4 CONTENTS OF THE REPORT?

5 A. As outlined in the report's index, Pages 1 through 2 contain the Staff's Analysis of
6 the report, with the remaining Pages 3 through 8 containing the Accounting Staff's
7 supporting exhibits. The major portion of my testimony will refer to the Accounting
8 Exhibit A, as shown on page 3 of the Staff's report. This exhibit is entitled
9 "Operating Experience and Operating Margin". This exhibit, as do all the other
10 Accounting exhibits detailed in the Staff's report, utilizes a test year ending
11 December 31, 1997.

12 Q. DO YOU HAVE ANY FURTHER EXPLANATION OF EXHIBIT A?

13 A. Yes. The Accounting Staff has prepared this exhibit in compliance with the
14 Commission's standard procedures as to calculating income and operating margin
15 for water and sewer companies, which Staff believes are applicable to this case. A
16 brief description of Exhibit A is as follows.

17 Column (1): Represents the Company's per book operations as filed for the
18 requested increase.

19 Column (2): The Staff's Accounting and Pro Forma Adjustments are detailed
20 in this column. Such adjustments were made by the Accounting Staff in order to
21 normalize the Company's per book operations. These Adjustments are detailed
22 separately in Staff's Exhibit A-1.

1 Column (3): The Staff's computation of the Company's normalized test year
2 prior to giving effect for the proposed increase is detailed in this column of
3 Exhibit A.

4 Column (4): The Staff's adjustment for the proposed increase as furnished by
5 the Utilities Department and all related tax and expense adjustments that are
6 associated with the proposed increase are detailed in this column.

7 Column (5): The Staff's computation of the Company's normalized test year
8 after giving effect for the accounting and pro forma adjustments and the effect of
9 the proposed increase and its associated tax and expense adjustments are detailed in
10 this column.

11 Q. WOULD YOU PLEASE ELABORATE ON THE CALCULATIONS IN
12 EXHIBIT A?

13 A. As shown in column (1), per book operations, the Staff, using the Company's
14 records, computed a negative "Net Income For Return" of (\$6,596) . This was
15 based on Operating Revenue of \$23,443 less Operating Expenses of \$30,039 plus
16 Customer Growth of \$-0-. The Staff computed an operating margin of (65.32)% on
17 per book operations.

18 In Column (2), the Staff's Accounting and Pro Forma adjustments are
19 presented. These adjustments are shown in more detail in Staff's Exhibit A-1 of this
20 report.

1 Column (3) presents per book operations as adjusted by the Staff. After such
2 adjustments, the Staff computed a "Net Income For Return" of \$3,653. This was the
3 result of Operating Revenues of \$23,363 less Operating Expenses of \$19,735 plus
4 Customer Growth of \$25. By using the "Net Income For Return" as adjusted
5 reduced by interest expense for computing operating margin, the Staff computed an
6 operating margin of 6.90%.

7 Column (4) presents the Staff's adjustments for the proposed increase, as
8 furnished by the Utilities Department, and the operating expenses effected by the
9 proposed increase. These adjustments are also detailed in Exhibit A-1 of the report.

10 Column (5) presents per book operations as adjusted to normalize the test year
11 and after the proposed increase. As a result, "Net Income For Return" of \$20,276
12 was computed by the Staff. Such income was based on Operating Revenue of
13 \$43,807 less Operating Expenses of \$23,670 plus Customer Growth of \$139. By
14 using the resulting "Net Income For Return" of \$20,276, reduced by interest for
15 computing the operating margin of \$2,042, the Staff computed an operating margin
16 of 41.62%.

17 Q. WOULD YOU PLEASE DESCRIBE BRIEFLY THE OTHER ACCOUNTING
18 EXHIBITS IN THE STAFF'S REPORT?

19 Exhibit A-1 details the Staff's Accounting and Pro Forma Adjustments as well
20 as the Staff's Adjustments for the Proposed Increase and the effect of the increase
21 on Operating Expenses. Company and Staff adjustments are compared in this
22 exhibit with a brief description of each adjustment.

1 Exhibit A-2 details the Customer Growth computation made by the Staff. The
2 Staff used procedures that are in accordance with standards set by this
3 Commission, which Staff believes are applicable to this case.

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5 A. Yes, it does.

6